

PUBLIC DISCLOSURE

DECEMBER 4, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WORCESTER POSTAL CREDIT UNION

**4 EAST CENTRAL STREET
WORCESTER, MA 01613**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of **WORCESTER POSTAL CREDIT UNION (or the "Credit Union")** prepared by the Division, the institution's supervisory agency, as of **December 4, 2006**. The Division evaluates performance in the assessment area(s), as they are defined by the institution.. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The assessment of Worcester Postal Credit Union's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates.

According to CRA regulations, an institution shall delineate one or more assessment areas by which the institution will serve to meet the credit needs of its community and by which the Division will evaluate the institution's CRA performance. On May 16, 1997, the state CRA regulation 209 CMR 46.00 became effective. Credit unions whose membership by-laws provisions are not based upon residence were now permitted to designate its membership as its assessment area. Therefore, since the Credit Union has defined its membership as its assessment area, as opposed to a geographic area, an evaluation of credit extended within defined geographic areas was not conducted as such an analysis would not be meaningful. Therefore, this evaluation was based upon an analysis of the Credit Union's performance in providing loans to its membership; providing loans to individuals of various incomes, including low- to moderate-income members; and the Credit Union's fair lending performance.

Shares from the membership are returned to members in the form of consumer installment loans. Loan-to-share ratios are at a satisfactory level. The distribution of loans to borrowers of different income levels is considered reasonable and is representative of the membership.

The Review of Complaints and Fair Lending section indicates that the Credit Union has made reasonable efforts in attracting all applicants within its membership.

PERFORMANCE CONTEXT

Description of Institution

Worcester Postal Credit Union is a state chartered financial institution serving the employees of the Worcester Postal and associations composed of such employees and their families and to those persons who are retired on pension or have resigned in good standing from Worcester Postal.

The Credit Union does not originate residential mortgage loans. The Credit Union offers unsecured personal and auto loans. The Credit Union originates loans of all amounts, and the rates, terms, and conditions are competitive with other credit unions of similar size and type.

The Credit Union has one office located at 4 East Central Street in Worcester, Massachusetts. Main office hours are from 10:00 am to 4:00 pm, Monday through Friday. The Credit Union has no Automated Teller Machines ("ATM"s) and no ATM cards are available to the membership.

As of September 30, 2006, the institution had total assets of \$8,984,097. As of September 30, 2006, the Credit Union's loan portfolio totaled \$5,818,914, or 64.8 percent of the Credit Union's total assets. The largest portion of the loan portfolio is comprised of new vehicle loans with 47.0 percent of total loans outstanding, followed by unsecured loans with 36.4 percent, and used vehicle loans with 16.6 percent.

The Division last examined the Credit Union for compliance with the CRA on January 14, 2002. That examination resulted in a CRA rating of "Satisfactory".

Description of Assessment Area

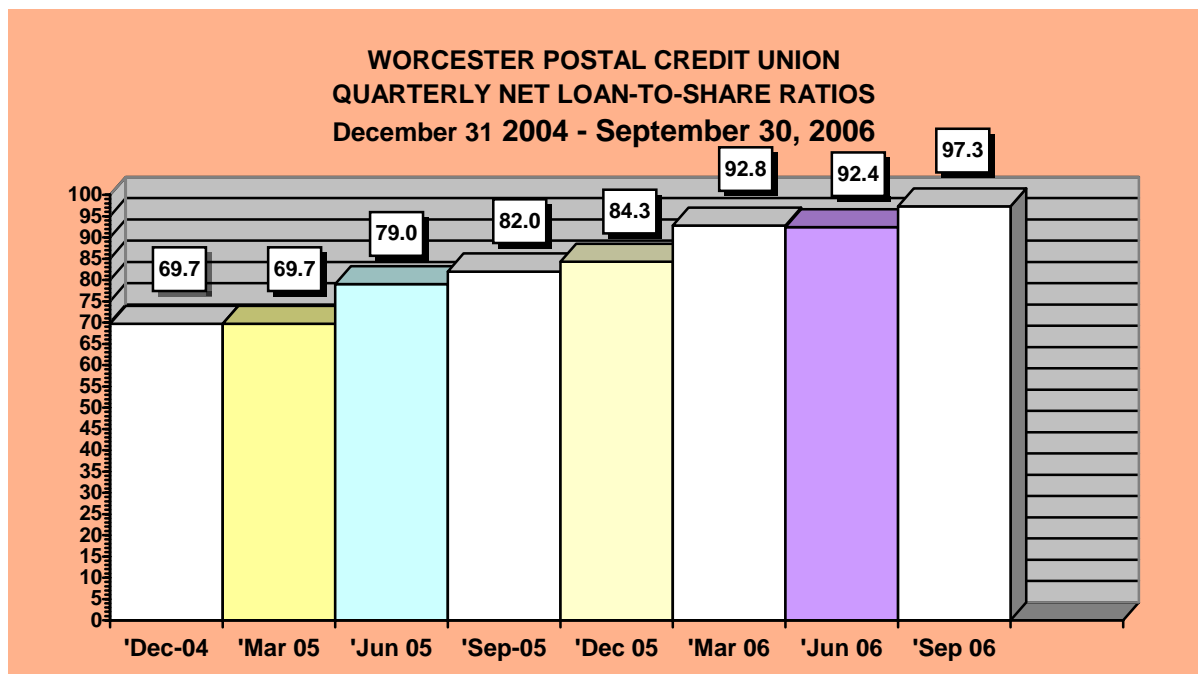
In accordance with the requirements of 209 CMR 46.41, the Credit Union defines its membership as its assessment area. According to the Credit Union's bylaws membership "...Is limited to those who are employees of the Worcester Postal and associations composed of such employees and their families and to those persons who are retired on pension or have resigned in good standing from Worcester Postal.

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

Based upon the Credit Union's asset size, its capacity to lend, and the credit needs of the membership, the analysis of the Credit Union's net loan-to-share ratio indicates that the Credit Union meets the standards for satisfactory performance.

An analysis of the Credit Union's net loan-to-share ("LTS") ratio was performed using National Credit Union Administration ("NCUA") quarterly call report data for the period December 31, 2004, through September 30, 2006. The analysis was conducted to determine the extent of the Credit Union's lending compared to shares received from its membership. The average net LTS for the period reviewed was 82.6 percent. As illustrated in the chart below, the Credit Union's ratios have been increasing steadily during the last eight quarterly time periods.



Based on the preceding information, the Credit Union's performance level is considered to meet the standards for satisfactory performance.

2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The Credit Union's lending, based upon the analysis of consumer loans by borrower income, meets the standards for satisfactory performance in providing credit to members of all income levels.

PERFORMANCE CRITERIA (CONTINUED)

A sample of the Credit Union's consumer loan data for calendar year 2005 and 2006 was analyzed in order to determine the distribution of credit based upon the income level of borrowers. The loan sample consisted of unsecured personal loans. The borrower income analysis was based on the median family incomes for the Worcester Metropolitan Statistical Area ("MSA") Metropolitan Division ("MD") for 2005 and 2006 which was \$70,400 and \$71,700, respectively.

The four income categories that define the income level of borrowers include low-, moderate-, middle- and upper-income. The analysis of borrower income level was identified as the ratio of borrower income to the Median Family Income for the MSA or MD.

As defined by the U.S. Department of Housing and Urban Development ("HUD"), low-income is defined as income level or area that earns less than 50 percent of the MSA's median family income. Moderate-Income is defined as income level or area that earns 50 percent to less than 80 percent of the MSA's median family income. Middle-income is defined as income level or area that earns 80 percent to less than 120 percent of the MSA's median family income, while upper-income is defined as income level that is equal to or greater than 120 percent of the MSA's median family income.

A review of ten loan files from 2005 and 2006 was conducted to determine the borrower's income category. Of the ten files reviewed, two or 20 percent were granted to low-income members, four or 40 percent were granted to both moderate and middle-income borrowers.

Based upon the analysis of borrower income, the Credit Union demonstrates satisfactory performance in providing loans to borrowers of different incomes.

3. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the Credit Union's performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

Review of Complaints

There was no indication that the Credit Union received any complaints pertaining to its CRA performance since the previous examination.

Fair Lending Policies and Practices

The Credit Union's fair lending policies and practices are considered satisfactory. No discriminatory lending practices were noted.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 4 East Central Street, Worcester, MA 01613."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.